

## International Equity Investment Approach

The international equity investment *philosophy* is rooted in a fundamental approach focused on owning high-quality, growth-oriented companies at reasonable valuations. We believe that higher quality companies will outperform the broader market over the long-term, especially when the countries in which they do business benefit from favorable macroeconomic factors.

The international equity investment *process* integrates top-down comprehensive evaluation of market cycles, macroeconomic variables, and geopolitical analysis with the firm's fundamental, company-specific approach.

### I. STOCK SELECTION CRITERIA

#### QUALITY COMPANIES

##### Durable Competitive Advantages

- ◆ Meaningful pricing power
- ◆ High barriers to entry
- ◆ Superior return on capital over extended periods of time

##### Strong Cash Flow Generation

- ◆ Feeds high reinvestment rate returns

##### Capable Management

- ◆ Demonstrated ability to effectively allocate capital

#### GROWTH AT A REASONABLE PRICE (GARP)

We seek an above-average rate of business growth:

- ◆ Revenue and earnings per share growth in excess of peers
- ◆ Stable to expanding margins
- ◆ Favor organic growth rather than via acquisition

#### VALUATION ANALYSIS

Reasonable valuations relative to company history and peers.

##### Valuation metrics used:

- ◆ Price/Earnings
- ◆ Price/Book
- ◆ Enterprise Value/EBITDA
- ◆ Price/Private Market Value

### II. MACRO ANALYSIS

#### MACRO FACTORS PLAY A KEY ROLE: ECONOMIC & GEOPOLITICAL

Global macroeconomic and geopolitical factors add complexity to investing outside the United States. Evaluation of these factors plays a key role in the Confluence international portfolio management process. Proprietary analysis conducted by our market strategists provides instructive guidance to the International Equities Investment Committee regarding its country and stock selection framework.

Such factors include: 1) the macroeconomic climates in the various countries in the investable universe; 2) a country or region's monetary policy and interest rate environment; 3) foreign currency and commodity markets; 4) the regulatory framework; and 5) the prevailing political backdrop.

### III. PORTFOLIO CONSTRUCTION

#### PORTFOLIO HOLDINGS

- ◆ Low turnover
- ◆ Equal-weight positions at inception
- ◆ Typically 40-50 securities, depending on strategy
- ◆ Diversification across countries, currencies, sectors, and industries to manage risk

#### SELL DISCIPLINE

Portfolio positions are continually reviewed.

A company's stock may be sold if:

- ◆ Share price reaches or exceeds our estimate of full valuation
- ◆ Underlying macro conditions deteriorate
- ◆ Company fundamentals deteriorate
- ◆ More attractive opportunities are identified

## International Equity Strategies

The International Equities Investment Committee employs both top-down and bottom-up fundamental analysis to identify attractive countries and economic sectors as well as high-quality companies worthy of a long-term investment allocation.

### International Growth

Invests primarily in large cap, growth-oriented companies in both developed (excluding U.S.) and emerging markets. Direct exposure to emerging markets is variable and limited to no more than 25% of the portfolio's total value.

### International Developed

Invests primarily in large cap, growth-oriented companies in developed markets only (excluding U.S.).

### Emerging Markets

Invests primarily in large cap, growth-oriented companies in the emerging markets around the world.

### International Opportunities

Highly concentrated portfolio of investment committee's 7-12 highest conviction ideas from developed (excluding U.S.) and emerging markets; not broadly diversified.

### Global Large Cap

Combines stock selection from the International Equities and Value Equities Investment Committees. Invests in both U.S. and international large capitalization companies with durable competitive advantages.

Visit our [website](#) for fact sheets and performance for individual strategies.

## ABOUT CONFLUENCE

Confluence Investment Management LLC is an independent registered investment adviser that provides professional portfolio management and advisory services to institutional and individual investors. The firm's investment philosophy is based upon independent, fundamental research that integrates evaluation of market cycles, macroeconomics, and geopolitical analysis with a value-driven, company-specific approach. The Confluence team is dedicated to an exceptional level of client service and communication, and the firm's disciplined investment process and performance record have stood the test of time across a broad range of economic and market cycles.

## International Equities Investment Committee

The International Equities Investment Committee manages its portfolios in a team-based manner. Investment opportunities and portfolio management duties are evaluated and implemented collaboratively. The committee is composed of seasoned investment professionals who have a long tenure of working together at their current and predecessor firms. Committee members average 31 years in the industry and have extensive experience observing and analyzing global capital markets across asset classes.

Name	Title	Financial Experience
Mark Keller, CFA	Chief Investment Officer	45 years
Bill O'Grady	Chief Market Strategist	38 years
Tore Stole	Director of Research, Equity Analyst	37 years
Blair Brumley, CFA	Equity Analyst	37 years
Patrick Fearon-Hernandez, CFA	Market Strategist	35 years
Gregory Tropf, CFA, CIPM	Equity Analyst	36 years
Matthew Sinkovitz	Equity Analyst	21 years
Kaisa Stucke, CFA	Equity Analyst	16 years

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